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P R O C E E D I N G S

MIKE: Welcome everyone, and thank for attending our weekly Catalyst Fund Portfolio Managers Open House Conference Call. Before we begin, I'd like to remind everyone today's call may include forward looking statements. These statements represent the firm's belief regarding future events that, by their nature, are uncertain and outside of the firm's control. The firm's actual results and financial condition may differ, possibly materially, from what is indicated in those forward-looking statements.

Please go to our Fund's website, excuse me, or ask your regional representative for the Fund's fact sheet and prospectus. These documents include some important risk considerations investors should carefully consider. The investments, objectives, risks, charges and expenses of Catalyst Funds. This and other information can be obtained by calling (646)-827-2761 and asking your regional representative or going to our website at www.catalystmf.com. That's C-A-T-A-L-Y-S-T-M-F dot com.

Today we have Ed Walzack and Kimberley Rios on the line, who are the managers of the Catalyst Hedge Futures Fund, as well as our newest frontier, the Catalyst Hedge Commodities Fund. Ed Walzack's portfolio

manager here at Catalyst and is responsible for the day-to-day management of the Hedge Future Strategy, as well as the Hedge Commodities Strategy. He's been portfolio manager on the Hedge Future Strategy, as well as his predecessor Fund, Harbor Assets, since its inception in 2005, until it's conversion to an Act 40 mutual Fund in September of 2013. Mr. Walzack has a bachelor's degree in physics and economics from Middlebury College and an MBA from Harvard University Graduate School of Business.

Kimberley Rios is a portfolio manager on the Fund. She is a chartered financial analyst. Received her bachelor's degree in finance and economics from University of Arizona in '94 and received her CFA designation in 2001. She is additionally a chartered market technician. That designation was awarded to her in 2014.

Just as a note everyone, we will be mute during the overview. When we go to the Q&A, I will ask you to hit star, then five to indicate you have a question. I will announce you by your area code and prefix of your number and you will hear your line being unmuted. Ed, I'm going to turn it over to you now.

MR. WALZACK: Great. Thanks, Mike. Thanks everyone for joining the call. For those of you who have been on the call the last couple of weeks, hopefully, the

story is becoming somewhat consistent in terms of our position and where we might head from here. So, I'll jump back in and reaffirm some of the things you may have already heard and be happy to answer questions going forward as well. So, we in -- right now, a little bit of no man's land, actually, unfortunately, from my perspective, we've seen quite a bit of volatility come out of the market over the last week, particularly since the last time we spoke.

So, from a price perspective, which those of you who've heard some of my strategy descriptions over time, you don't pay a lot of attention to price, but from a price perspective we're still somewhat in no man's land in terms of how the Fund is positioned. And what that means is, the current portfolio won't react very much unless we get a fairly significant price move in either direction. Again, to the extent that that price is going to affect what we're doing, and fairly extensive means 50 or 60 points on the S&P for the upside will start giving us some opportunity again. Fifty or 60 points on the downside, I would expect to give us some volatility.

If you recall, we earn our returns from volatility to the downside priced to the upside, even though we're not trying to predict either of those events. But were we to come off 50 to 75 points to the

downside, I would expect to see the VIX return to above 20, which is where we like it. And under that scenario, we're reasonably well positioned right now to earn a positive return from a move like that. From a price appreciation standpoint, should we move to the upside about 50 or 60 points, I would expect that to put in a position; (a) to start to earn a little bit of return from leftover upside positioning, which we have in place.

We have not put any upside positioning on for about two months now, but we still have call positions above the market that would pan out and these positions extend all the way through the end of this calendar year, in terms of options and expiration. I would prefer to put on new positions. I would not expect -- I'm trying to anticipate what our analytics would show us 50 points higher from now and at that point, I would expect us to begin to put on additional upside position. But for now, as I said, we're on the fence. We're kind of in no man's land.

I will tell you that with the decline in volatility, the volatility analytics that we look at are no longer pointing us in the direction of adding volatility positions. So, we have what we have. And what that means, again, you've heard me talk about how we position ourselves and why we position ourselves, we look

at the term structure of volatility. That means we look at the VIX. We look at the VIX equivalent at different times to expiration with options, so, the VIX is a 30-day to expirations options number. There are 60-day numbers, 90-day numbers, 120-day numbers and so forth.

We like it when the VIX is at, or equal to those other numbers when that curve is flat. It's no longer flat. It's in what's called contango. That means the VIX is once again cheap. The rest of the volatility curve is expensive.

In that scenario, we are looking for upside exposure, but by some other metrics that are designed to keep us from being run over to the upside. We're not ready to put on those positions. At the same time, that volatility curve is not signaling us to add to any more volatility positions below the market. So, we're a little bit, as I said a couple of times, we're in no man's land right now. And all that's happening now is we're adjusting existing positions. We're trying to preserve our positioning below the market so that if we do rollover over the next couple of weeks, we still have the opportunity to profit, and that's the case.

You are seeing a little bit of unrealized gains bleed out of the portfolio. The Funds lost a couple of pennies NEV over last week and that's basically

volatility coming out of our long positions. We do attempt to adjust those to try and maintain our volatility exposure without that bleed happening, but it's not possible to do it 100 percent, so you do see a couple pennies come off.

At the same time, as I mentioned, if we suddenly took another 50 or 75 point nosedive and you saw the VIX go back over 20, we're in a much better position to take advantage of that then we were two months ago. So, that's kind of where we sit. We're waiting for the market to tell us what it's going to do.

Again, we're not predictive, so we're waiting to see whether we start the perennial year-end ramp up or whether we're going to rollover into some deeper correction or test regional lows, which ideally would be accompanied by a return to those mid to upper 20's VIX levels and we can profit from that. But for now, we're sitting on the fence. So, that's how the Fund's positioned.

Now, I wanted to mention a little bit about the new Fund that we've launched, and a reminder, the new Fund is -- Kimberly and I are employing the same options strategy. We use the same volatility analytics. We use the same types of options spreads and we're doing that in three physical commodities markets: corn, crude oil and

gold. Those markets were chosen because they offer options liquidity, sufficient to allow us to do the options trading that we do. So, we're in those three markets.

The Fund launched on the 30th of September, the last day of September. We've been building positions as our analytics point us and as our scaling techniques, if you recall, we do use scaling techniques, so, we have standard position sizes. We typically do not enter those positions all at once and even though the new Fund is relatively small, we're adhering to those scaling techniques.

And once again, that's an example of we are attempting to translate all of the attributes of our strategy that has been successful in the existing Fund into the new Fund simply using different markets. Same analytics, same positions, same scaling techniques. So, we're in the process right now with the Fund being roughly two weeks old, of scaling into positions in those three markets. The other thing I'd like to remind you because we've already gotten a few questions over Fund moves, there's been some volatility in the commodity markets. Those three markets that we trade.

We've seen some moves in gold. We've seen moves really in all of those markets and the good new is

that's a lot of standard positions, but please recall, it's a new Fund. We are no where near full invested. We'd like to -- I'd like to expect that we're there in a couple of weeks where we're starting to trade at a more fully invested posture, but we're not there yet. The more important thing to remember is, and I don't think it's possible, but I would ask Mike, if it were, to unmute all your lines and have you repeat after me. There is no possible way for you to anticipate how the Fund will react given any kind of movements you may see in the three markets I mentioned: gold, crude and corn.

So, much like the existing Fund, you have to repeat over and over again, there is no way for you to anticipate given a movement in the S&P how the existing Fund will perform and there is no way for you to anticipate, regardless of whatever violent moves you may see in those physical commodity markets, there is virtually no way to anticipate from the outside looking in how the new Fund will behave relative to those market moves.

I'm always happy to answer questions about what's going on under the hood and how the Fund will behave, but recognize again, we're dealing with options and we're now dealing in the new Fund with two different markets, as well as by the way, some commodity-based

equity exposure that we take -- I should say, equities and equity options. That's also a part of what we're doing within the new Fund because there's an opportunity to do that. So, we're applying our strategies to some equity-based instruments as well.

Commodity equities, I should say, commodity ETFs, et cetera, but the underlying principal is we're hoping to achieve the same sort of risk return profile that you see in the new Fund, and that is neutral to market direction. Non-correlate to equities because we're not in equity markets, we're in commodities and commodity based equities, but neutral to direction. Options based. Not correlated, particularly on the short-term.

Short-term not able to predict what the Fund is doing relative to what any of these markets are doing, but the same kind of risk return profile when you see volatility in those commodity markets, you can anticipate that the Fund has an opportunity to do well. When volatility is lower, not so much, but again we'll be neutral to direction. So, if you see gold take off to upside or crude oil take a nosedive or corn stay flat; depending on our options strategy, that price direction is not going to allow you to anticipate what the Fund is going to do.

It's neutral to direction. Sensitive to volatility. Non-correlate the price, and especially because we're in physical commodity markets non-correlated to what the equity market is doing and that's our design and our hope. But overall, same risk return profile is our goal. Steady returns, low volatility non-correlated to equities.

So, that's a quick description of both Funds that are positioning and the startup on the new Fund. I'm happy to take any questions you might have.

MIKE: All right. Thanks very much for that overview, Ed. Folks, if you have a question, hit star, then five. That will indicate to me that you have a question. I will read off your area code and prefix of your phone number. You'll hear your line become unmuted and you can ask Ed a question. And just so everyone knows on the new Fund, the ticker symbol there is Charlie, Frank, Henry, Apple, X-ray, C-F-H-A-X.

And Ed, while we're waiting for some calls here, I know you have been focusing on those three strategies and that was a lot from back testing and testing, testing and looking through the different commodity markets. Could that -- is there any possibility in the future of maybe adding another commodity to that base, or you're not sure at this time?

MR. WALZACK: Yeah, there certainly is Mike and although I don't anticipate needing to do that or having that to be of any benefit to the Fund, unless it begins to become much larger. As I mentioned, our initial filter to identify which markets we want to go into was options liquidity. So, we're already in the highest liquidity markets and there are others, there are certainly others, especially in the grains.

For example, soybeans has very, very nearly the options liquidity as corn, so, we can certainly go into that market. But since we're already in three different markets, I'm anticipating plenty of opportunity and plenty of liquidity relative to the size of the Fund for the foreseeable future. At this point, from the standpoint of the tradeoff between adding complexity of additional markets relative to the opportunity, there's plenty of opportunity across these three markets to deploy a fairly significant amount of capital.

So that was a consideration for us when we launched this Fund. Certainly, if we're anywhere near as successful with the Fund as the existing Fund, we wanted to ensure that we don't sit here and say $100 million should be our capacity, for example. So, we could deploy significant capital across these three markets, and as a result, the question of adding another market becomes one

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of, do you need that fourth level of complexity in terms of monitoring volatility and market activity relative to the opportunities that are already available in the three. So, I wouldn't anticipate that happening for quite some time, but there certainly are other markets that offer options liquidity.

MIKE: Okay, great. Appreciate that. Folks, again, if you have a question, please hit star, then five. That will indicate to me that you have a question and just give it another moment or two here and see if anyone pops up a question. And we got one here. Area code 415 508. The line is open. Feel free to ask Ed a question.

CALLER: Hi, Ed. I just have a couple of questions at a little bit higher level and I guess, probably this applies to both of the strategies. From a risk management perspective, what are you doing at the portfolio level? I know your individual positions are structured in a way so that they're pretty well hedged.

But from a portfolio level perspective, are you doing any kind of macro hedging and then, is there any input from the team at Catalyst or independent risk management type of oversight on either of these? And then, what's the capacity for the new commodity strategies that you envision?

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MR. WALZACK: Sure. So, great questions. I'll answer on the existing Fund, it's got more mature prophecies in place, and what I mean by that is, we've been around with the existing Fund, obviously, in one version of it for about ten years and when you talk about portfolio risk management, what happens is this, you're correct that when we put on positions they're already changed their options spreads long and short and we put them on the sensitive to risk factors when they're placed.

But actually, more importantly what we do because I've described a number of strategies, so, we're putting on call positions which are very different than the put positions we put on. We put them on at different times. We put them on in different expiration months, so that it's very quickly and routinely you assemble a fairly complex set of options positions, that if you just look at them from a clean sheet of paper standpoint, they don't make a lot of sense because they're put on individually. They're on over all periods of time.

We've got them in all the expiration months, puts, calls, longs, shorts, et cetera. So, what we do is we aggregate all those positions. In other words, we take a snapshot of our portfolio within our options modeling software and then we stress that portfolio

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against price, volatility and across time, because obviously time is an important element to a wasting asset like an option. So, we're on a daily basis, we'll -- the portfolio in aggregate is plugged into our options modeling software and we'll stress price moves of plus 5 and plus 10 percent on the S&P and minus 5, minus 10 and minus 15 percent on the S&P.

We'll then -- we'll have snapshots of the portfolio value at those P&L basically, at those stress points. We will then stress volatility in the current environment where we've got a sub 20 VIX. We stress the volatility to a 30 and to a 45. In those environments where VIX is already above 30, we'll stress an additional level up to 60.

So, we now have price and volatility stresses on the portfolio. We look at that across five different timeframes and what we're looking for is a drawdown of greater than 8 percent in the portfolio value. If we find that at any one of those price and volatility stress points, we'll identify whether it, for example, it's price or volatility, which are the two major impacts. On the portfolio we'll identify what is it that's causing that potential 8 percent drawdown or greater than 8, I'm sorry, that's our line in the sand, so to speak.

We'll identify what is it. Is it price? Is it

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volatility? We'll then identify what hedging transaction we need to put in place, and normally there's a variety of choices. Via put, via put spread, via call, via call spread, buy back a short call, buy back a short put. Lots and lots of alternatives, but we'll model the most effective alternative to remove that risk excursion and then we'll implement that position on the portfolio.

So, that's what we do internally to manage the portfolio. We've done that basically since I've run the Fund. So, over its entire life. Since we've joined Catalyst, Catalyst has a risk officer, based in New York. We report on a daily basis a set of high-level risk metrics and these risk metrics are designed for a non-options expert. In other words, our risk officer does not need to have options modeling software to evaluate the risk levels that we're taking.

We look at things like collateral requirements at our broker, as a percent of our capital and we have a ceiling on those. We have a ceiling on absolute numbers of options positions normalized to our size. So, positions pretty near the capital. We have metrics around daily, weekly and monthly price excursions, so that if there's evidence of volatility beyond the norm in the Funds NAV performance, that's a flag.

We have very simple metrics around carrying

futures positions overnight. That's not a part of our strategy, so, that if there's a future position that's carried overnight, that's a red flag. If there's a non-S&P position, that's a red flag. So, we have a series of metrics that get reported to New York on a daily basis, that again, are not options technical or modeling type of things, but they're risk parameters that provide us that extra level of oversight from a third party, not a part of the portfolio management team.

So, that's what we're doing around risk. We're building those metrics. We have a set of metrics in place for the new Fund that are similar, but those are likely going to be in some state of evolution as we continue to trade the Fund over the next 60 to 90 days, before we get a little more comfortable locking those in. But they're going to be very similar types of metrics.

We just want to test the validity of the actual numbers we're using across these three markets going forward. But we have the same sort of risk metrics in place and we do the same kind of risk analysis from a pure options modeling standpoint internally at the portfolio management level as well. So that gives you an overview of what we do from a risk standpoint.

I think one of the other things you asked was about capacity on the new Fund. We are anticipating at

this moment, that we could handle a billion dollars in the new Fund. We took that perspective going in. I'm mean, we'd fortunate enough to get there, we may never get close, but we didn't even want to launch the Fund without having some confidence level that across these three markets there was enough liquidity, options-wise, to get us to a billion dollars.

We've had some experience obviously with that kind of growth in the existing Fund and the S&P. So, we had some metrics to go by in terms of average daily buy-in and open interest on options contract. So, we're pretty comfortable at a billion on the new Fund.

I'm reasonably comfortable, we don't have to worry about that number for a while, so we'll just focus on earning a return and see what happens. But there is, across these markets, plenty of liquidity going forward.

CALLER: Thank you.

MIKE: All right, Ed, appreciate that. Hopefully, we could get you to a billion dollars faster than you like. Once again folks, if you have a question, please hit star, then five and I will open your line for a question and you know, this happened last week too, Ed, I have no phone number coming up, so it's a private number, but you'll hear you line become unmuted. Can you hear us?

MICHAEL: Hello Ed. This is Michael from Comprehensive Wealth Management. I was calling to ask about the -- well, clients are asking me, why options? What can they do differently than the traditional investments that we're in? And then, the expected tax consequences this year?

MR. WALZACK: Great. Well, I can tell you generically that the tax treatment, but I hesitate to estimate a particular year's impact because there's some other accounting things going on that's just not my area, but I can tell you that generally speaking, gains and losses in the Fund by IRS rule are taxed 60 percent long-term and 40 percent short-term. Again, there's different things that cross over years and prior years distributions and so on, that I won't -- I don't want to tell you exactly what's going to happen this year, but generally speaking, gains and losses flow to investors on a 1099 at a 60 percent long-term, 40 percent short-term ratio.

In terms of why options, that's a great question. It's one I love to talk about and the basic simply answer is, an options contract is a risk limited vehicle. It's built in. When you go out and buy a stock, an index, a piece of real estate, any sort of basic, under a bond, underlying asset, you have a pure

black and white scenario. In the case of a stock, you buy a stock at 50 bucks. It goes to $60. You made $10. It goes to $40, you lose 10 bucks. So, you're in there directionally. You're in there up two bucks, you're up two bucks, down two bucks, you're down two bucks.

An options contract, in my mind, is an absolute beautiful thing. It has a risk limiter built into it. That same $50 stock, you lay down two or three bucks for an options contract. You don't quite make your $10 because you had to lay down that premium, but the great news is when the market falls off the table and that $50 stock becomes $40 or $30 or $25, you lost $3.00 and you don't have to have sophisticated stock losses in place and you don't have to worry about putting a stop in at $45 on that stock and it goes to $44.50, you're stopped out and it turns around the next day and goes to $60. You don't have to worry about any of that stuff.

When you deal with options contracts they are constructed with automatic risk limitation built in and that is such a powerful concept and it's also, I believe, a very, very under appreciated concept. The whole concept of risk management, I think, is underappreciated in the world and in particular, the fact that you can actually use instruments where you don't have to have a risk system in your investment strategy. You can simply

buy instruments that have it built in. So, you have built in risk limitation without having to do anything.

So, that's why we trade exclusively options in the Fund and that's why I prefer them and I've always preferred them. There are obviously some downsides to this. The options are a wasting asset. When you lay down your premium it can expire and you lose your premium. So, we spend a lot of time balancing, in the Fund, how to avoid that bleeding and draining of time premium, but preserving that beautiful risk limitation that an option contract has built in and that's the core of our strategy, is managing that trade off. Using techniques to eliminate the time decay while preserving that built-in risk limitation.

And I've always -- I've said to anyone who will ask, you can be the greatest money manager in the world, not by some dynamic strategy that enables you to make money faster than the next guy. Make money -- just keep up with the market and avoid losses. Avoid 2008. Avoid August of 2015. Just go flat during those down periods. Manage your risk and keep up with the market the rest of the time and you'll look back over five or 10-year period and you'll be the top money manager in the world. And that's what we look to do and we look to do it with options contracts because they have that risk limitation

built in.

MICHAEL: Great. And do the risks change when you're doing the strategy in commodities because of the instruments that you're using in commodities versus the equity options on the indexes of the S&P?

MR. WALZACK: Well, the risk -- the general risk profile is the same. So, if you're buying an option on the S&P, you have that, again, that characteristic where your risk is limited to the premium you paid for the option and your opportunity or reward, remains the same as if you were just purely long the market or long whatever it is your doing.

So, same thing, if we go out and buy options on gold futures, we're basically -- the alternative would be to buy gold futures or buy physical gold, for example, and so, then you're in that situation where gold up, you're making a ton of money; gold down, you're losing a ton of money.

Instead, we're out there using options so we're back to that beautiful risk limited instrument, we'll buy a call options on gold. Now, gold is up; we make a bunch of money, minus the premium paid. Gold is down; we lose only the premium we paid. And so, it's the same scenario, just different market. And it is important that it's a different market because gold volatility and

options pricing behaves differently, but we use our same analytics and react to that behavior.

So, we use different tactics, depending on the behavior, just as we do in the S&Ps. When the S&Ps are declining, volatility is doing very different things then when the S&Ps are rising. We're reacting to what the volatility is doing. We're using different options strategies to take advantage of what it's doing. Similarly, in the gold market.

If gold is going through the moon, its volatility is behaving differently than when it's declining and vice versa. And so, we react to those same patterns in volatility and that directs us to the same types of options structures that we're using in the S&Ps and we used to use them in gold, for example, and crude and corn and so forth.

So, again, as I tried to mention, we're doing the same things just different markets. Same risk profiles; same expected overall portfolio risk return profile that we've achieved in the S&Ps. We think that the advantage in doing that is the fact that we've got three markets, three different sets of volatility going on, so we like high volatility. In the S&P sometimes, you don't have it. Nothing you can do about that. In gold, crude and corn, hopefully, there's going to be

volatility someplace and that's where we'll focus our efforts and that's why we look forward to those markets. But the overall return profile and risk profile using options in those markets, we expect to duplicate what we're doing in the existing Fund.

MIKE: Okay, great. Appreciate that Ed. And I'll just add, as far as the tax, check back with us here.

Our Fund accounting usually likes to give that estimate the first couple of weeks in November. We traditionally do our distributions mid-December. So, Fund accounting gets a little edgy when we start asking them before November estimates usually the first week or so. So, a couple of weeks from now we should have a fairly decent estimate on what the pass-through's going to be -- the distribution's going to be at the end of the year.

I got one more question here. Again folks, if you have a question, hit star, then five and that will indicate that you have a question. I'll open your line. Area code 408 963. I'm opening your line and you should be open now.

CALLER: Thank you so much. A shorter term question. Am I still there?

MR. WALZACK: Yeah, I can hear you.

CALLER: Oh, okay. Good. Thank you. I got a message. If I heard you correctly, you're not really looking to make any adjustments to the portfolio unless the S&P is to move 40, 50, 60 points in either direction. So, I'm just trying to understand. On the assumption that let's say that does not happen for the next 30 days, what is the impact of the NAV of the Fund?

MR. WALZACK: Well, if you were to tell me that the S&P will stay in a plus or minus 50 point range over the next 30 days, I'd expect us to be pretty much around the flatline, plus or minus a couple of pennies. And let me clarify too, when you talk about not making any adjustments, we are adjusting existing positions. What I'm telling you is that we're on the fence in terms of entering new positions.

So, normally, I could tell you, look, current conditions have us entering volatility positions below the market or current conditions we're actively entering call positions above the market. We're in a position now where volatility has changed. Volatility has come out, so, it's taken away our opportunity to enter additional volatility positions, but we've got some in place. At the same time, we've got some price limiters. If you recall from descriptions of our strategy, when we take upside price exposure our risk is that the market goes

too high.

So, what we do is we have some price limiters in place, which basically amount to, we're not going to enter these positions until we get to some sort of trending, over bought type of situation, so that we feel as though the risk of the market ramping up has been removed. So, right now we're in a situation where volatility is telling us to enter upside call positions, but the price structure of the market is such that we're still in this coming off the lows situation where the market might go dramatically higher in a short period of time, which would not be good for those call positions. So, we have what I would call, price limiters in place that are not allowing us to enter those call positions. So, we're in no man's land.

We're not entering new positions, but we're fairly active in adjusting existing positions to try and preserve, for example, the volatility exposure we have on, so that if we get a volatility spike, we can profit from it. But at the same time, if we do nothing, we'll start to bleed as volatility goes lower. So, we adjusting positions to really try and have our cake and eat it too, and that's just the scenario we're in right now.

CALLER: Okay, thank you.

MIKE: Okay, appreciate that question. And folks, it doesn't look like I have anymore questions in the hopper for this week. If you got something, last shot here for today. Star, then five. Look forward to doing it again next week.

Folks, if you do have a question, if you think of something over the course of the week, and you want to shoot an email out and make sure that Ed answers it on the call the following week, you can always do to info, I-N-F-O, at info@catalystmutualfunds.com. I'll get that email and make sure it's in the queue for the following week.

And again, if you have any other questions, need material, you can call us here at the internal sales desk at (646) 827-2761.

The email address I read off at info@catalystmutualfunds.com, or you could contact your regional representative and/or their internal. At this time, Ed, I don't see -- oh, we got one more coming in. Area code 617 948. Your line is open.

CALLER: Hi. Thank you so much for taking this call. I was just wondering how you're able to sort of avoid the trap of becoming a premium capture Fund. It sounds like it's not what you're doing, but if you're just trading S&P options, you're basically selling

straddles or strangles or something like that, and your money has been a huge winner for six years now. Is there room to do that in this portfolio versus completely leaving that trade alone?

MR. WALZACK: Yeah, so, we don't use that trade other than as essentially as a profit taking mechanism because of the adverse risk profile in a trade like that. Whenever you're a premium capture or premium collection strategy, you're basically have (inaudible) of what I've talked about in terms of the advantage of an options contract. The simplest example is, you go out and you sell options for two bucks and you hope that you can buy them back for a dime or they expire and then you do it again.

And the risk profile that is such that as soon as you sell that for two bucks you cap your opportunity. It's like the covered call. I like to describe a covered call trade as the worst trade in the world and its corresponding cousin, the worst trade in the world is a cash secured clip below the market, even though those are emotionally satisfying trades, you can do the numbers pretty simply and discover that the risk profile is terrible, in that you have limited risk and -- I'm sorry, limited reward and very large or unlimited risk.

So, because of that risk profile, we prefer to

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take the approach that allows us to try and capture the other side of that trade, meaning limited risk, large or unlimited rewards, and normally, when you do that your only downside is the time decay element. Meaning you're going to bleed to death as time passes, so we use options spreads, whereby we're not collecting premium, but we do use short option positions to offset the time decay while preserving the positive risk return of a pure long option position. But the short answer is, we're really not looking to capture premium as a means of earning a return because you have that return profile that says, limited return, unlimited risk and that's just not something we want to put into the Fund.

CALLER: Okay. Thank you very much.

MIKE: Okay, appreciate the question there. All right. This time I don't have any more questions in the queue here.

Again folks, thanks again for listening to the call this week. We are doing this weekly. Every Tuesday at noon, Central time. If you have any questions, by all means, call your local wholesaler, the internal desk here, email at info@catalystmutualfunds.com. We'll make sure we get the question on and we do record the calls and make the replay available in case you're not able to attend.

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With that, Ed, again, and Kimberly, appreciate your time for the call here and look forward to chatting with you guys next week.

KIMBERLY: Thanks, Mike.

MR. WALZACK: Thanks.

MIKE: Take care.

(End of recording.)

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TRANSCRIBER'S CERTIFICATE

I, Debbie Ross, hereby certify that the foregoing transcript is a complete, true and accurate transcription of all matters contained on the recorded proceedings in the matter of:

CATALYST HEDGED FUTURES STRATEGY FUND.

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Transcriber